

A nonprofit corporation was organized for the purposes of extending hospitality to foreign visitors and students, promoting cultural and educational programs, and providing an environment for social contact between American citizens and foreign visitors and students. To accomplish its purposes the organization maintains and operates a hospitality or community center. Held, under the circumstances present, the organization is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 as a charitable and educational organization.

Advice has been requested whether an organization organized and operated for the purposes and in the manner described herein qualifies for exemption from Federal income tax as a charitable and educational organization within the meaning of section 501(c)(3) of the Internal Revenue Code of 1954.

The organization was incorporated as a nonprofit corporation, under State law, for the purposes of extending hospitality to foreign visitors and students, promoting cultural and educational programs, and providing an environment for social contact between American citizens and foreign visitors and students to offer the latter an opportunity to obtain a better understanding of the customs of the United States. The articles of incorporation provide that in carrying out its purposes the corporation shall be operated exclusively for charitable and educational purposes, that no part of its net earnings shall inure to the benefit of any private shareholder or member of the corporation, and that no part of its activities shall be the carrying on of propaganda or otherwise attempting to influence legislation. The charter also provides that in the event of dissolution, the assets of the corporation will be distributed to one or more organizations described in section 501(c)(3) of the Code.

The organization has two general classes of members, resident and foreign. The resident membership is composed of regular members, charter members, patrons, and organizational members. Resident members pay initiation fees and monthly dues. Foreign members are eligible for membership without the payment of initiation fees or dues provided they are in the United States on a temporary student or visitor's visa.

In order to create the desired environment to accomplish its purposes, the organization maintains and operates a hospitality or community type center. The facilities of this center include a library, auditorium, lounges, several meeting rooms, and other facilities essential to the operation of a hospitality center. These facilities provide a place for discussion and help promote social intercourse and fellowship among all members.

The organization arranges for, presents and sponsors

lectures, discussions, educational films, musical programs and similar events, and offers certain language courses, all of which are offered to its membership and to the public. Many of the foregoing are offered free. In those instances where a charge is made, such charge is merely to cover the cost thereof.

The organization's auditorium and meeting rooms are available for use by its organizational members up to three times a month without charge. If an organizational member uses these facilities in excess of three times a month a maintenance or rental fee is charged.

The organization's income is derived from membership dues, rental charges, donations, and educational and other programs. Its expenses are for salaries, rent, educational programs, entertainment, and miscellaneous operating and maintenance expenses.

Section 501(c) of the Code describes certain organizations which are exempt from income tax under section 501(a) of the Code and reads, in part, as follows:

(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, * * * or educational purposes, * * * no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation. * * *

In order to qualify for exemption under the above-cited provisions of law, an organization must be both organized and operated exclusively for one or more of the purposes specified therein.

In the instant case the organization was formed for the purposes of extending hospitality to foreign visitors and students, promoting cultural and educational programs, and providing an environment for social contact between American citizens and foreign visitors and students in order to obtain a better understanding of the customs of the United States. The actual activities of the organization in providing a type of community center for the mingling of foreign students and visitors with one another and with American citizens are charitable within the meaning of section 501(c)(3) of the Code. The organization's activities in arranging for, presenting and sponsoring lectures, discussions, musical programs, educational films, offering language courses, and maintaining a library, all of which are open to the membership and to the public, free or for a minimum charge to cover the costs thereof, are both educational and charitable within the meaning of section 501(c)(3) of the Code.

Accordingly, it is held that the organization is exempt from

Federal income tax under section 501(a) of the Code as an organization described in section 501(c)(3), since it has been shown that it is organized and operated exclusively for charitable and educational purposes.

An organization may not consider itself exempt merely because it falls within the scope of this Revenue Ruling. In order to establish its exemption under section 501(c)(3) of the Code, it is necessary to file an application on Form 1023, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the Income Tax Regulations.